

**REMARKS**

Claims 1 to 19, 22, 25 and 28 are now pending.

Applicant thanks the Examiner for providing initialed copies of the PTO-1449 form filed with the Information Disclosure Statement of March 5, 2001 to show that the Examiner has considered the references cited in that disclosure.

Applicant respectfully requests reconsideration of the present application based on the following.

With respect to paragraph five (5) of the Final Office Action, claims 1 to 9, 11 to 19, 22, 25 and 28 were rejected under 35 U.S.C. § 103(a) as unpatentable over Popolo, U.S. Patent No. 5,715,402 in view of the “BoxLot Online Auction: Review Auction & Bidding Formats” reference cited by the Examiner.

To facilitate matters, each of independent claims 1, 16, 17, 18 have been rewritten in a minor fashion to delete the “able to” language. No new matter has been added and these minor changes do not raise any new issues.

As to the secondary reference, the Examiner relies on an asserted “download date” of “September 22, 1999”.

While it is not believed that the “September 22, 1999” date will need to be antedated in view of the critical deficiencies of the secondary reference as to the subject matter of the present application, as further explained herein, the “BoxLot” reference may be antedated by a Section 131 Affidavit or Declaration if the rejections are maintained.

*It is noted that a Notice of Acceptance was recently received from the Australian Patent Office for the corresponding Australian case, which includes claims essentially like those presented in the present case. It is also noted that the same references were provided to the Australian Examiner.*

To facilitate matters, claim 1 was rewritten in the prior response to better clarify its subject matter by including the subject matter of canceled claim 24. In particular, claim 1 as presented provides that the “*second indication does not indicate what the best bid is so that users receiving the second indication do not know the best bid*”.

The claimed subject matter provides a method and system of trading an instrument, which is neither a standard open auction nor a sealed bid auction, over a communications network using an interactive auction process that takes advantage of the network environment to provide a new and advantageous bidding process intended to optimize the final result achieved for a buyer or seller of an instrument.

With the claimed subject matter of the present invention, a user places a request for a price of an instrument, and other users bid in response. A bidder will receive an indication that they have provided a best bid or that they have not provided a best bid, so that the system may indicate to a bidder that they have not provided the best bid — *while not informing them of the actual best bid and while also allowing them the chance of re-bidding*. The unsuccessful bidders know that to be successful, they must bid again with a better bid (by a higher or lower amount) if they are to prevail. This process can happen repeatedly and the users can vary their bids (or cancel them) before a final bidder is selected. Thus, there can be a continual incrementing of the bidding to an optimum value as determined by the maximum or minimum amounts that bidders are willing to bid, with different bidders constantly out-bidding each other.

Thus, the system indicates or signifies to bidders that the market is willing to provide a change in the best price, while not actually indicating what that change in the best price might be. This qualitative rather than quantitative knowledge thus encourages the efficient establishment of a good or optimal market price for the instrument.

Accordingly, the cited references, whether taken alone or combined, neither discloses nor suggests the claimed subject matter of the present invention, so that the claims are allowable (as is also evidenced by the Notice of Acceptance in the corresponding Australian case).

Also, as explained before, claim 1 also provides that the “*users, taking into account whether the first indication or the second indication is provided, adjust or cancel a corresponding response at any time before the customer accepts the best price response*”, and that the “best price response is a best one of the at least one response received from the users”. It is respectfully submitted that the Popolo reference does not describe or suggest these features as recited in the context of claim 1 as presented. The subject matter of claim 1 as presented provides the following benefits:

As each user adjusts his or her price up or down, essentially generating a new response, a new best price may be established. The system 1 will then indicate (by the first indication) to the user submitting the best price that the new response has generated the best price, and will indicate to the user which previously had generated the best price that the old price is no longer the best price. In response, any user can adjust his or her price in an attempt to achieve the best price

response. *At any time, the customer 50 can accept any of the pending responses. Likewise, any user may cancel a pending response up until the point that the price is accepted by the [customer] . . . . By blinding each user to the responses of other users, but for an indication of whether his or her own response has provided the best price, the system . . . is designed to encourage bidding in response to the request which will quickly and efficiently establish a market price for the instrument.*

(Specification, page 8, line 24 to page 9, line 7) (emphasis added). Thus, the claimed subject matter addresses the problem of encouraging bidding to quickly and efficiently establish a market price for the instrument, which the references relied upon do not.

The Office Actions to date admit that the BoxLot reference was not relied upon as to the claim feature providing that *users . . . adjust or cancel a corresponding response at any time before the customer accepts the best price response*. In this regard, the Office Actions to date unsupportedly assert that “Popolo” discloses this feature at column 11, line 1 to column 14, line 44.

In fact the assertions of page 5 of the Final Office Action that the foregoing claim features are simply not disclosed by the text at lines 35 to 46 of column 17 and the text at lines 22 to 27 of column 15 of the “Popola” reference.

**The text at column 17 when read in conjunction with the remainder of the “Popolo” reference make plain that no notice of acceptance or rejection is available to the bidder at the time when he may revise his bid, and that once notice exists, a bidder may not revise the bid.**

As explained above, with the presently claimed subject matter, a bidder will receive an indication that they have provided a best bid or that they have not provided a best bid, so that the system may indicate to a bidder that they have not provided the best bid — *while not informing them of the actual best bid and while also allowing them the chance of re-bidding*. The unsuccessful bidders know that to be successful, they must bid again with a better bid (by a higher or lower amount) if they are to prevail. This process can happen repeatedly and the users can vary their bids (or cancel them) before a final bidder is selected. Thus, there can be a continual incrementing of the bidding to an optimum value as determined by the maximum or minimum amounts that bidders are willing to bid, with different bidders constantly out-bidding each other.

**As regards the text at column 15 of “Popolo”, this text only indicates that a Seller may undo a sale if for some reason the buyer is unable to complete the purchase.**

**Accordingly, any review of the text at columns 15 or 17 make plain that they do not disclose the claim 1 features of “providing a first indication to the user who provided the best price response, the first indication indicating that the response is the best price response; and providing a second indication to the users who did not provide the best price response, the second indication indicating that the response is not the best price response, the first and second indications being different from one another”, and in which the “users, taking into account whether the first indication or the second indication is provided, adjust or cancel a corresponding response at any time before the customer accepts the best price response,” and in which the “request is for one of a bid to buy the instrument and an offer to sell the instrument,” and in which the “first indication is not an acceptance, and the second indication is not a rejection, and the second indication does not indicate what the best bid is so that users receiving the second indication do not know the best bid”.**

It is noted that the Office has previously admitted that the primary Popolo reference “fails to teach that the request is for one of a bid to buy the instrument and an offer to sell the instrument, the first indication is not an acceptance, and the second indication is not a rejection, providing the customer to amend, adjust, or cancel the request at any time before the customer accepts the best price response” [sic], and instead relied on the “BoxLot” reference. In the last Office Action, however, the contrary assertion was made that the “BoxLot” reference does not support the above-discussed claim language, and that the “Popolo” reference does support it at columns 11 to 14.

As regards these assertions, it is respectfully submitted that a repeated reading of the four columns generally relied upon in the Office Actions to date nowhere indicates how users adjust or cancel a corresponding response at any time before the customer accepts the best price response within the four cited columns of columns 11 to 14. It is respectfully submitted that any Appeals Board would also be unable to identify this disclosure within the text relied upon.

***As further regards the assertions, and more importantly, the analysis in the Office Actions totally ignores critical language, since claim 1 specifically provides for “users — taking into account whether the first indication or the second indication is provided — adjust or cancel a corresponding response at any time before the customer accepts the best price response”. The analysis in the Office Action wholly ignores this claim language and***

therefore does not even allege the fact that claim requires that “*users adjust or cancel a corresponding response at any time before the customer accepts the best price response*” by **taking into account whether the first indication or the second indication is provided**, so that the obviousness argument is not sustainable.

In this regard, the Popolo reference only refers to a system that “permits sellers to post detailed specification of an item for sale and permits buyers to browse or search the posted inventory to locate items filling specific needs”, and a “buyer may bid on part or all of an item posted and the seller may accept or reject any bid.” (Col. 1, lines 63 to 67). In the system of the Popolo reference, it only allows buyers to bid after a seller has posted an offer to sell. (Col. 1, lines 66 to 67). Also, the reference only seems to indicate that the system only notifies a buyer when his bid has been accepted, and only notifies a failed bidder when his bid has been rejected.

As to the secondary “BoxLot” reference (regardless of whether this may be a proper reference), it suffers from a number of critical deficiencies.

First, it is still maintained there would be no proper motivation to combine the subject matter of the primary Popolo reference, which refers to a non-proxy spot metal seller/buyer matching system with the “proxy” bidding system of the secondary “BoxLot” reference. In particular, the primary Popolo reference only refers to a system that “permits sellers to post detailed specification of an item for sale and permits buyers to browse or search the posted inventory to locate items filling specific needs”, and a “buyer may bid on part or all of an item posted and the seller may accept or reject any bid” (col. 1, lines 63 to 67), which only allows buyers to bid after a seller has posted an offer to sell (col. 1, lines 66 to 67), and which only indicates that the system only notifies a buyer when his bid has been accepted, and only notifies a failed bidder when his bid has been rejected.

Second, as to the secondary “BoxLot” reference, the users only provide an initial maximum bid, since the system uses a proxy bidding system in which the auction begins at a specified date and time *and at a specified price and bid increment*, so that the actual bids are not received from the users, but are created based on a starting price and an increment amount. As characterized, the system (and not the users) of “BoxLot” creates bids (which are not bids that are received from the users and used as the bids in the bidding process, since they only provide a maximum bid) based on the specified price by incrementing the starting price until the *maximum bid* for a bidder is reached, at which time, the bidder may have an opportunity to submit another *maximum bid*.

Third, as to the reference relied upon, once the “auction closes and a winning bid is submitted, both buyer and seller will be notified via e-mail” (see first page of “BoxLot” reference provided by Examiner), so that there is no disclosure of the feature of providing a “best price response that is a best one of the price responses *received from the users*, and so that the users are not able to adjust or cancel a corresponding response at any time *before the customer accepts the price response*”. This is because the seller apparently has no control over accepting the bid in real time, since the reference only indicates that the buyer and seller are notified when there is a winning bid, which is wholly unlike the presently claimed subject matter.

None of these facts were refuted in the Office Actions to date.

Accordingly, the references relied upon, whether combined (the properness of which is not conceded) or taken alone do not disclose or suggest that the features which provide that the “*best price response is a best one of the at least one response received from the users*”, and which further provide that the “*users, taking into account whether the first indication or the second indication is provided, adjust or cancel a corresponding response at any time before the customer accepts the best price response*”, as recited in the context of the subject matter of claim 1 as presented, so as to provide the benefits of the subject matter of claim 1, as explained above.

It is therefore respectfully requested that the obviousness rejection be withdrawn as to claim 1 as presented.

Claims 2 to 15 depend from claim 1, and are therefore allowable for the same reasons as claim 1.

Each of independent claims 16, 17 and 18 as now presented include features like those of claim 1, as discussed above, and it is therefore respectfully submitted that these claims are allowable for essentially the same reasons as claim 1.

Claims 19, 22, 25 and 28 depend from claims 1, 16, 17 or 18, and are therefore allowable for the same reasons as their respective base claims.

As further regards the obviousness rejections, since the “problem confronted by the inventor must be considered in determining whether it would have been obvious to combine the references in order to solve the problem” (see Diversitech Corp. v. Century Steps, Inc., 850 F.2d 675, 679 (Fed. Cir. 1998)), it is respectfully submitted that there is no motivation or suggestion to modify the primary reference so as to encourage bidding to provide the “efficient markets” benefit provided by the subject matter of the claims, as explained above.

As still further regards the obviousness rejections, to reject a claim as obvious under 35 U.S.C. § 103, the prior art must disclose or suggest each claim element and it must also provide a motivation or suggestion for combining the elements in the manner contemplated by the claim. (See Northern Telecom, Inc. v. Datapoint Corp., 908 F.2d 931, 934 (Fed. Cir. 1990), cert. denied, 111 S. Ct. 296 (1990); In re Bond, 910 F.2d 831, 834 (Fed. Cir. 1990)). The cases of In re Fine, 5 U.S.P.Q.2d 1596 (Fed. Cir. 1988), and In re Jones, 21 U.S.P.Q.2d 1941 (Fed. Cir. 1992), also make plain that a subjective “obvious to try” standard is not proper. In particular, the Court in the case of In re Fine stated that:

Instead, the Examiner relies on hindsight in reaching his obviousness determination. . . . **One cannot use hindsight reconstruction to pick and choose among isolated disclosures in the prior art to deprecate the claimed invention.**

In re Fine, 5 U.S.P.Q.2d at 1600 (citations omitted; emphasis added).

Likewise, the Court in the case of In re Jones stated that:  
Conspicuously missing from this record is any evidence, other than the PTO's speculation (if it be called evidence) that one of ordinary skill . . . would have been motivated to make the modifications . . . necessary to arrive at the claimed [invention].

In re Jones, 21 U.S.P.Q.2d at 1943 & 1944 (citations omitted). In short, there must be evidence of why a person having ordinary skill in the art would be motivated to combine or modify the applied references to provide the subject matter of the claims. That is simply not the case here since there has been no such showing as plainly evidenced by the foregoing discussion.

It is respectfully submitted that the Office Action offers no evidence whatsoever, but only conclusory hindsight, reconstruction and speculation, which these cases have indicated does not constitute evidence that will support a proper obviousness finding. Unsupported assertions are not evidence as to why a person having ordinary skill in the art would be motivated to modify a reference to provide the claimed subject matter of the rejected claims. Accordingly, it is respectfully submitted that there is no evidence, except subjective speculation, for combining or modifying the references relied upon to provide the features and benefits of any of the rejected claims.

More recently, the Federal Circuit in the case of In re Kotzab has made plain that even if a claim concerns a “technologically simple concept” — which is not the case here, there still must be some finding as to the “specific understanding or principle within the knowledge

of a skilled artisan" that would motivate a person having *no* knowledge of the claimed subject matter to "make the combination in the manner claimed", stating that:

In this case, the Examiner and the Board fell into the hindsight trap. The idea of a single sensor controlling multiple valves, as opposed to multiple sensors controlling multiple valves, is a technologically simple concept. *With this simple concept in mind, the Patent and Trademark Office found prior art statements that in the abstract appeared to suggest the claimed limitation. But, there was no finding as to the specific understanding or principle within the knowledge of a skilled artisan that would have motivated one with no knowledge of Kotzab's invention to make the combination in the manner claimed.* In light of our holding of the absence of a motivation to combine the teachings in Evans, we conclude that the Board did not make out a proper *prima facie* case of obviousness in rejecting [the] claims . . . under 35 U.S.C. Section 103(a) over Evans.

(See In re Kotzab, 55 U.S.P.Q.2d 1313, 1318 (Fed. Cir. 2000) (italics added)). Here again, it is believed that there have been no findings that would sustain the obviousness rejection.

More recent still, in the case of In re Lee, 61 U.S.P.Q.2d 1430, 1433-35 (Fed. Cir. 2002), the Court reversed the Board of Appeals for relying on conclusory statements, stating the following:

*With respect to Lee's application, neither the examiner nor the Board adequately supported the selection and combination of the Nortrup and Thunderchopper references to render obvious that which Lee described. The examiner's conclusory statements that "the demonstration mode is just a programmable feature which can be used in many different device[s] for providing automatic introduction by adding the proper programming software" and that "another motivation would be that the automatic demonstration mode is user friendly and it functions as a tutorial" do not adequately address the issue of motivation to combine. This factual question of motivation is material to patentability, and could not be resolved on subjective belief and unknown authority.* It is improper, in determining whether a person of ordinary skill would have been led to this combination of references, simply to "[use] that which the inventor taught against its teacher." Thus the Board must not only assure that the requisite findings are made, based on evidence of record, but must also explain the reasoning by which the findings are deemed to support the agency's conclusion.

....

*In its decision on Lee's patent application, the Board rejected the need for "any specific hint or suggestion in a particular reference" to support the combination of the Nortrup and Thunderchopper references. Omission of a relevant factor required by precedent is both legal error and arbitrary agency action.*

*[The] "common knowledge and common sense" on which the Board relied in rejecting Lee's application are not the specialized knowledge and expertise contemplated by the Administrative Procedure Act. Conclusory statements such as those here provided do not fulfill the agency's obligation.*

[The] Board's findings must extend to all material facts and must be documented on the record, lest the "haze of so-called expertise" acquire insulation from accountability. "Common knowledge and common sense," even if assumed to derive from the agency's expertise, do not substitute for authority when the law requires authority.

Thus, the proper evidence of obviousness must show why there is a suggestion to modify the reference so as to provide the subject matter of the claims and its benefits.

More importantly, and as further regards the remaining obviousness rejections, it is respectfully submitted that the Office Actions to date have not provided even a *prima facie* obviousness case, since they never included any findings, such as, for example, regarding in any way whatsoever what a person having ordinary skill in the art would have been at the time the claimed subject matter of the present application was made. (See In re Rouffet, 47 U.S.P.Q.2d 1453, 1455 (Fed. Cir. 1998) (the "factual predicates underlying" a *prima facie* "obviousness determination include the scope and content of the prior art, the differences between the prior art and the claimed invention, and the level of ordinary skill in the art"); and see In re Kotzab, 55 U.S.P.Q. 2d 1313, 1317 (Fed. Cir. 2000) (citing In re Dembiczak, 50 U.S.P.Q.2d 1614, 1618 (Fed. Cir. 1999) (obviousness rejections reversed where no findings were made "concerning the identification of the relevant art", the "level of ordinary skill in the art" or "the nature of the problem to be solved"))).

It is therefore respectfully submitted that the present lack of any of the required factual findings forces Applicant and any Appeals Board to resort to unwarranted speculation to ascertain exactly what facts underly the present rejections. This is because the required factual findings with respect to the differences between the claimed subject matter and the prior art, and what the prior art teaches, are believed to be and are respectfully submitted to be deficient as a matter of law. The law mandates that the allocation of the proof burdens

U.S. Pat. App. Ser. No. 09/447,319  
Attorney Docket No. 11129/2  
Reply to Final Office Action of January 18, 2005

requires that the Patent Office provide the factual basis for rejecting a patent application under 35 U.S.C. § 103. (See In re Piasecki, 745 F.2d 1468, 1472, 223 U.S.P.Q. 785, 788 (Fed. Cir. 1984) (citing In re Warner, 379 F.2d 1011, 1016, 154 U.S.P.Q. 173, 177 (C.C.P.A. 1967))). In short, the Office bears the initial burden of presenting a prima facie unpatentability case — which has not been done in the present case. (See In re Oetiker, 977 F.2d 1443, 1445, 24, U.S.P.Q.2d 1443, 1444 (Fed. Cir. 1992)).

For at least the reasons discussed above, withdrawal of the obviousness rejections with respect to claims 1 to 9, 11 to 19, 22, 25 and 28 is respectfully requested.

With respect to paragraph six (6), claim 10 was rejected under 35 U.S.C. § 103(a) as unpatentable over the Popolo reference in view of Kalmus et al., U.S. Patent No. 4,674,044.

Claim 10 depends from claim 1, and is therefore allowable for the same reasons as claim 1, since the third-level Kalmus reference simply does not cure the critical deficiencies of the primary Popolo reference and the secondary “BoxLot” reference. It is therefore respectfully submitted that claim 10 is allowable.

In summary, it is respectfully submitted that all of claims 1 to 19, 22, 25 and 28 are allowable for the foregoing reasons.

### **CONCLUSION**

In view of all of the above, it is believed that the rejections have been obviated, and that claims 1 to 19, 22, 25 and 28 are allowable. It is therefore respectfully requested that the rejections be withdrawn, and that the present application issue as early as possible.

Dated: 11/8/2005

Respectfully submitted,  
By:  
Aaron C. Deditch  
(Reg. No. 33,865)

KENYON & KENYON  
One Broadway  
New York, New York 10004  
(212) 425-7200

**CUSTOMER NO. 26646**

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